DIVS

Guinness Atkinson Dividend Builder ETF

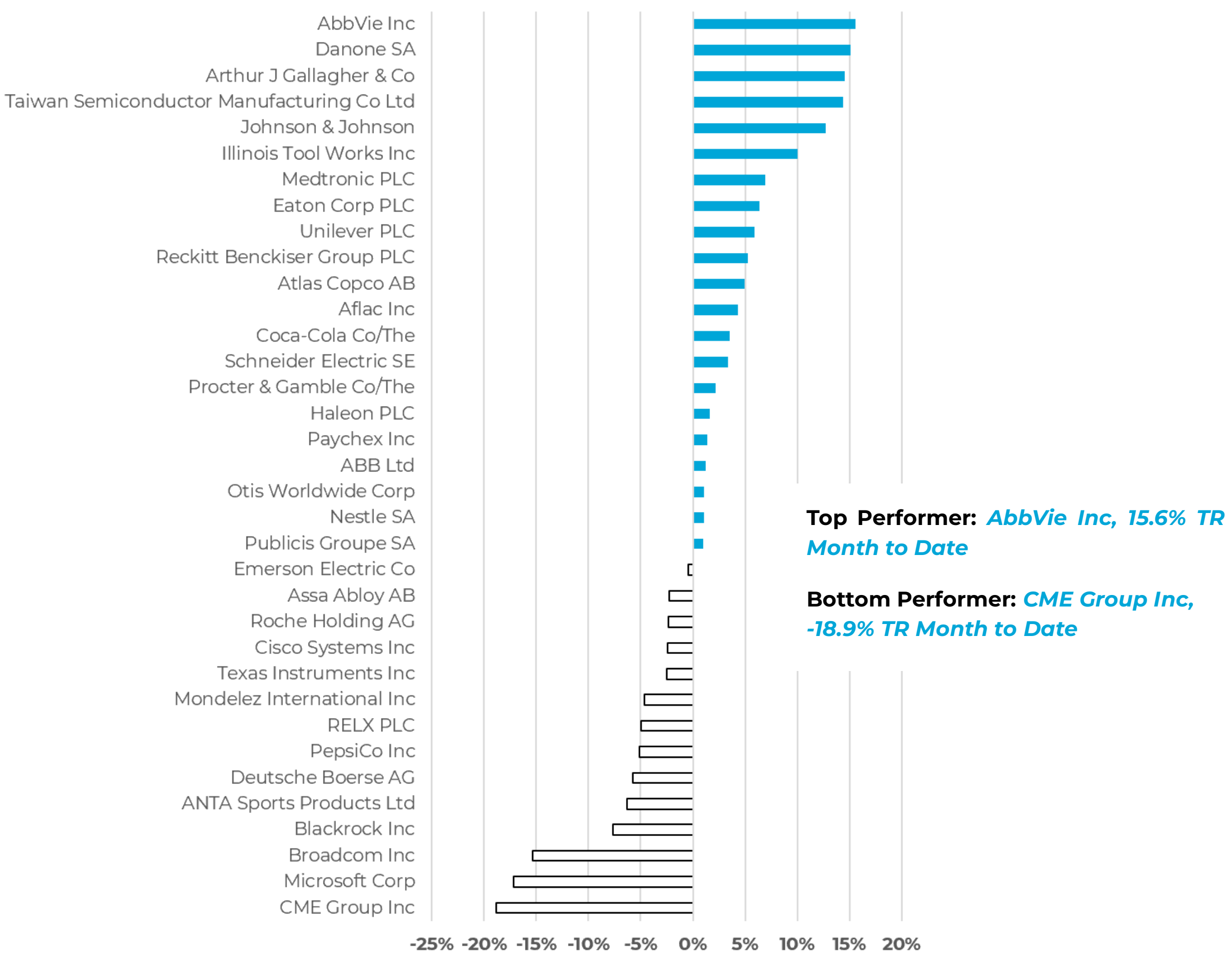
July 2026 Update

Portfolio Performance

as of 06/30/2026

In the second quarter, DIVS was up 8.94% (NAV basis, 8.57% market price)[1], while the MSCI World Index benchmark was at 13.8%. The Fund's underperformance versus the benchmark can be attributed to a rotation towards 'growth' and 'cyclicals' and away from 'defensives' and 'value' weighed on the Fund, though trends improved in June. Underperformance of the 'Quality' factor, particularly in the first two months of the quarter, also hurt relative returns.

DIVS – Individual Stock Performance – June 2026 Total Return in USD



Holdings are subject to change. Go to www.gafunds.com/our-funds/DIVS for current holdings.

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[1] *Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting gafunds.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.*

During the quarter, the Fund's underperformance versus the benchmark can also be attributed to:

- Low exposure to the underperforming Software sector was offset by underweight positions to the top two performing industries, Semiconductors and Tech Hardware, which acted as two of the largest detractors to relative Fund performance, from an allocation perspective. This was partially offset by a strong stock selection effect within Tech Hardware with Cisco (+52.2% USD) aiding performance. Semiconductor firm Texas Instruments (+54.3% USD) also had notably strong performance.
- Relative Fund performance was also negatively impacted by an overweight to Consumer Staples, which underperformed the broader benchmark. Within the sector, weakness from Pepsico (-11.9% USD) – the funds second bottom performer over the period – was more than offset by strength elsewhere, in particular from Nestle (+9.7% USD) and Unilever (+9.5% USD).
- Communication Services provided both positive allocation and stock effects. The Fund has an underweight position to the sector, which underperformed the benchmark over the quarter, and strong outperformance from Publicis (+21.1% USD) supported relative Fund performance.
- Stock selection within Financials acted as the largest detractor to relative Fund performance. Banks was one of the top performing industries during the quarter – an area the Fund has no exposure to. Within Financials Services, CME Group (-24.9% USD) was the Funds weakest performer, contributing the majority of this weak stock selection effect.

The Fund's zero allocation to Utilities, Materials, Real Estate, and Energy in particular – four of the five bottom performing sectors over the quarter – acted as a tailwind to relative Fund performance.

As of 06/30/2026	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (03/30/2012)
DIVS at NAV	7.08%	9.79%	12.32%	9.27%	11.49%	10.75%
DIVS at Market Price	7.10%	9.57%	11.96%	9.20%	11.46%	10.73%
MSCI World Index NR	9.69%	21.34%	19.22%	11.47%	13.13%	11.52%

All returns over 1 year annualized. Expense Ratio: 0.45% (net) | 0.98% (gross)

The Adviser has contractually agreed to reduce its fees and/or pay ETF expenses in order to limit the Fund's total annual operating expenses to 0.45% through June 30, 2029.

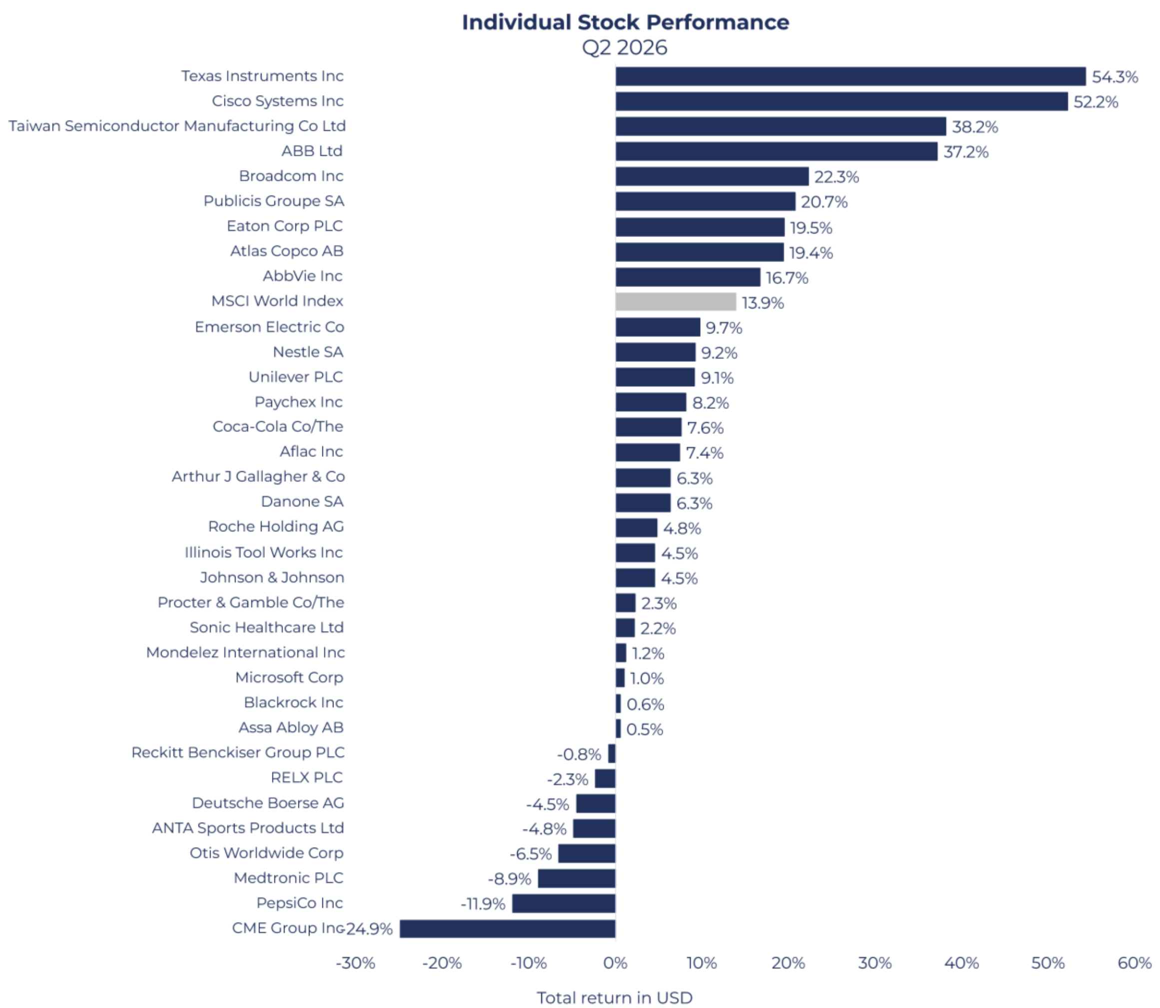
Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting gafunds.com, or calling (866) 307-5990. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

Effective as of the close of business on March 26, 2021, the fund acquired the assets and assumed the performance, financial and other historical information of the Guinness Atkinson Dividend Builder Fund, an open-end mutual fund (incepted March 30, 2012). The fund's investment objectives, strategies and policies are substantially similar to those of the predecessor mutual fund and it was managed by the same portfolio managers. Performance information for periods prior to March 26, 2021 is the historical performance of the predecessor mutual fund and reflects the higher operating expenses of the predecessor mutual fund. The fund has lower expenses than the predecessor mutual fund. For periods prior to March 29, 2021, the fund's performance would have been higher than shown had it operated with the fund's current expense levels.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.

Past performance is no guarantee of future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index.

Q2 2026 Portfolio Performance



Individual stock performance over holding period during Q2 (TR in USD).
Source: Bloomberg. As of June 30th 2026

GUINNESS ATKINSON FUNDS

Over the Quarter

Texas Instruments (+54.3% USD)

For the second quarter running, Texas Instruments was one of the Fund's top-performing stocks. The stock was helped by strong sector-wide sentiment towards semiconductors, but the standout driver was a very strong earnings print, with shares up 19.4% on the day of results. Sentiment had already been improving ahead of the print, supported by commentary at the company's recent Investor Day, where management highlighted stabilizing demand trends, improving factory utilization (supporting margins) and a clearer path to a free cash flow recovery following several years of elevated counter-cyclical capital expenditure. Broader semiconductor sentiment improved during the month as investors became increasingly optimistic that the industrial semiconductor cycle was bottoming, with peers also pointing to improving orders and inventory normalization. Against this backdrop, Texas Instruments benefited from growing confidence that its long-awaited cyclical recovery was beginning to materialize, particularly across its industrial business, which remains the company's largest and most important end-market.

The earnings release itself significantly exceeded expectations and drove the stock's strongest intraday reaction since 2001. Q1 revenue grew 19% year-on-year and 9% quarter-on-quarter, materially ahead of consensus and well above normal seasonal trends. Industrial was the standout end-market, accelerating more than 20% sequentially and over 30% year-on-year, while data centers continued to emerge as a structurally significant growth driver, expanding about 90% year-on-year as demand for power semiconductors used in AI infrastructure remained robust. The strength in revenues, alongside improved factory utilization and favorable mix, drove gross margins to 58.0%, up more than 200 basis points sequentially. Management also guided second quarter revenues, margins and earnings per share (EPS) materially above consensus, while highlighting improving order momentum, broad-based demand trends, stable pricing and declining inventories, with no evidence of meaningful "panic buying" or pull-forward activity. All in, the combination of an accelerating industrial recovery, emerging structural AI-related growth and a return to positive cash flow trends reinforced investor confidence that the business is entering a stronger phase of the cycle.

Cisco (+52.2% USD)

Cisco, the largest maker of networking equipment, also performed very strongly during the quarter. The stock rallied 17 percent in one day, its best day in more than fourteen years, after the company reported strong sales growth and a better-than-anticipated sales forecast on accelerating data centre orders. Growth was broad-based, with enterprise networking refresh activity accelerating alongside AI infrastructure demand, and revenue is now on track for double-digit annual growth for the first time since fiscal 2023. Additionally, the firm announced plans to reduce its workforce and reallocate resources towards AI, silicon, and optics. Chief executive Chuck Robbins described the current environment as a "networking supercycle." The results supported that framing, as Cisco, long regarded by the market as a legacy networking name lagging the AI trade, showed clear signs of repositioning around AI infrastructure demand. Product orders rose 35 percent year over year, while hyperscaler AI infrastructure orders more than doubled, leading management to raise its full-year AI order guidance from $5 billion to $9 billion and its AI revenue outlook to $4 billion for the year, with visibility to at least $6 billion in fiscal 2027.

CME (-24.9% USD)

CME was the Fund's weakest performer during the quarter, despite reporting strong results in April and solid volume growth in May. On 29 May, the CFTC approved Kalshi's application to list the first regulated Bitcoin perpetual futures contract onshore in the US. Before that day, no regulated onshore US platform offered perpetual futures, and crypto-native traders wanting to trade them had to use offshore venues such as Binance. Although crypto futures remain a modest part of CME's overall revenue mix, the market appears to be extrapolating this new source of competition to the more traditional asset classes that make up the bulk of CME's business. Negative sentiment on the stock was further compounded by the CEO's planned departure and by the preliminary US-Iran agreement to end the war, which would reduce hedging activity.

We believe the market reaction has been overdone, for three reasons. First, CME is playing offense rather than defense: it had already launched 24/7 crypto futures trading ahead of the Kalshi approval, and volumes there continue to grow strongly. It is now extending that same 24/7 model into other asset classes, having recently announced round-the-clock trading for WTI crude oil and gold, directly closing the weekend and after-hours access gap that has been central to the appeal of crypto-native perpetual platforms. The market's assumption that perpetual futures competition will spread into traditional asset classes also looks premature. Institutional hedging in rates, FX, and other core CME markets tends to be duration-matched and size-driven, requiring the deep liquidity pools needed to execute large trades without excessive slippage, a poor structural fit for a product designed around continuous, high-leverage speculative trading such as perpetual futures. Second, the CEO transition has been well planned and telegraphed well in advance. Duffy will remain involved in the business as Executive Chairman, and his successor, current President and CFO Lynne Fitzpatrick, is a 20-year company veteran who joined CME in 2006 and has held a series of senior finance roles since, including CFO, providing continuity rather than a break with the current strategy when she takes over as CEO on 1 March 2027. Third, even if the war draws to a close, CME's product breadth still leaves it well placed to capture hedging demand across markets unrelated to the conflict. It also continues to innovate: in May, it partnered with Silicon Data to launch the world's first futures market for computing power, letting AI developers and cloud providers hedge GPU rental costs, with launch expected later this year pending regulatory approval.

PepsiCo (-11.9% USD)

PepsiCo was the Fund's second weakest performer over the quarter, despite delivering a broad-based beat on both revenue and earnings at its Q1 2026 results in April, with EPS growth of 8.8% comfortably ahead of the 4.5% expected and organic sales growth of 2.6% (vs 2.4% expected). Encouragingly, the North American snacks business (Frito-Lay, about 33% of sales) posted its first positive volume inflection in fourteen quarters, as "surgical" affordability investments and “brand restaging” began to take hold with price-sensitive consumers. International also continued its long run of strength, delivering a twentieth consecutive quarter of at least mid-single-digit organic growth, led by particularly strong prints in Europe, the Middle East and Africa (EMEA) and Asia Pacific (APAC). Despite this positive print that supported a more favorable outlook for the firm, sentiment towards PepsiCo soured over the remainder of the quarter, despite limited stock specific news flow. Firmer-than-expected inflation data during the quarter raised the risk of a more prolonged period of elevated input costs, and PepsiCo's more capital-intensive model – it manufactures and bottles far more of its own product than the likes of Coca-Cola – left it disproportionately exposed relative to more asset-light peers, compounding concerns already flagged at the print around gross margin pressure and rising costs into 2027 as commodity hedges roll off.

Overall, we see the sell-off as unwarranted, and retain conviction in the investment case for PepsiCo. While the stock has been challenged in North America for a couple of years, the recent volume inflection in North American snacks is a key swing factor, and this quarter provided the first genuine evidence that management's strategy is translating into results, rather than remaining a "show me" story indefinitely. This is complemented by an International business that continues to compound at pace and is now margin-accretive, an increasingly important offset to domestic softness. With the stock trading at a significant discount to both peers and its own history, and a dividend yield above 4% backed by 54 consecutive years of increases, we believe that current valuation has already fully priced in a long term structural decline –ignoring the strength of the international business and the prospect of an improving environment in the US. Whilst we recognise that the turnaround will not be straightforward and the numerous challenges faced by the company (in particular a slow North American turnaround), in our view, the risk/reward profile is skewed to the upside, and the bull case for the firm remains strong.

Changes to the Portfolio

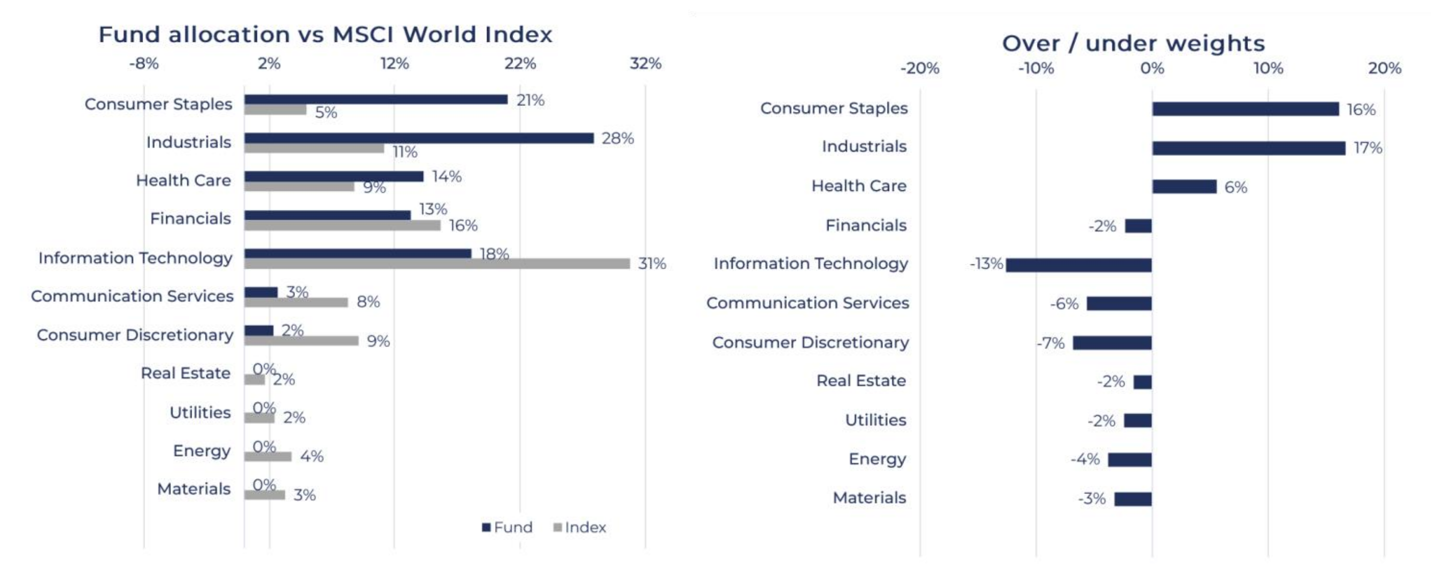
We made no changes to the portfolio during the quarter.

Portfolio Positioning

We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 40% in quality defensive companies (e.g., Consumer Staples and Healthcare companies) and around 60% in quality cyclical or growth-oriented companies (e.g., Industrials, Financials, Information Technology).

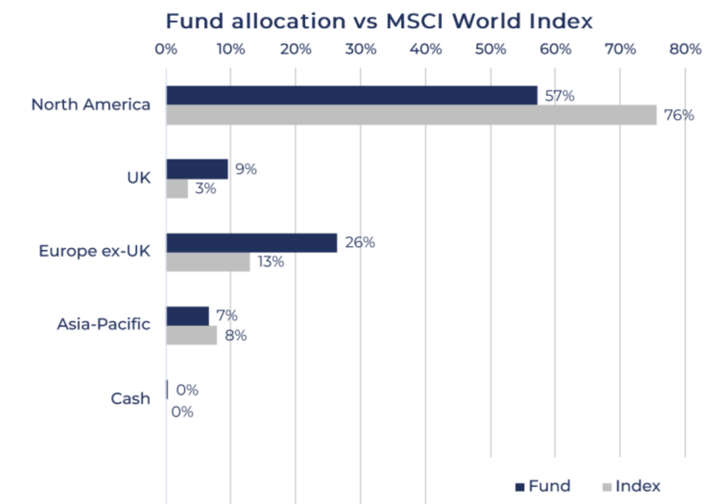
While the defensive names tend to have lower beta and hold up better when markets are falling, the cyclical holdings allow the Fund to maintain performance when markets are rebounding and rising. We believe that within these more cyclical sectors we are owning the ‘quality’ businesses. All the companies we seek to invest in have strong balance sheets and a history of performing well in difficult market environments. Within Financials, for example, whilst we do not own any banks, which helps to dampen the cyclicality of our Financials, we do own exchange groups such as CME and Deutsche Boerse (which do well in periods of market volatility as volumes tend to increase, resulting in higher revenues).

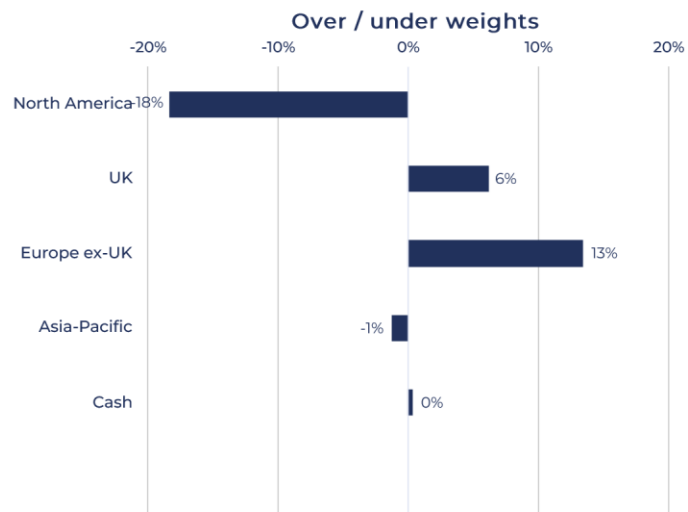
The Fund also has zero weighting to Energy, Utilities, Materials, and Real Estate. The largest overweight is to Industrials.



Sector breakdown of the Fund versus MSCI World Index.
Source: Guinness Atkinson, Bloomberg. Data as of June 30th 2026

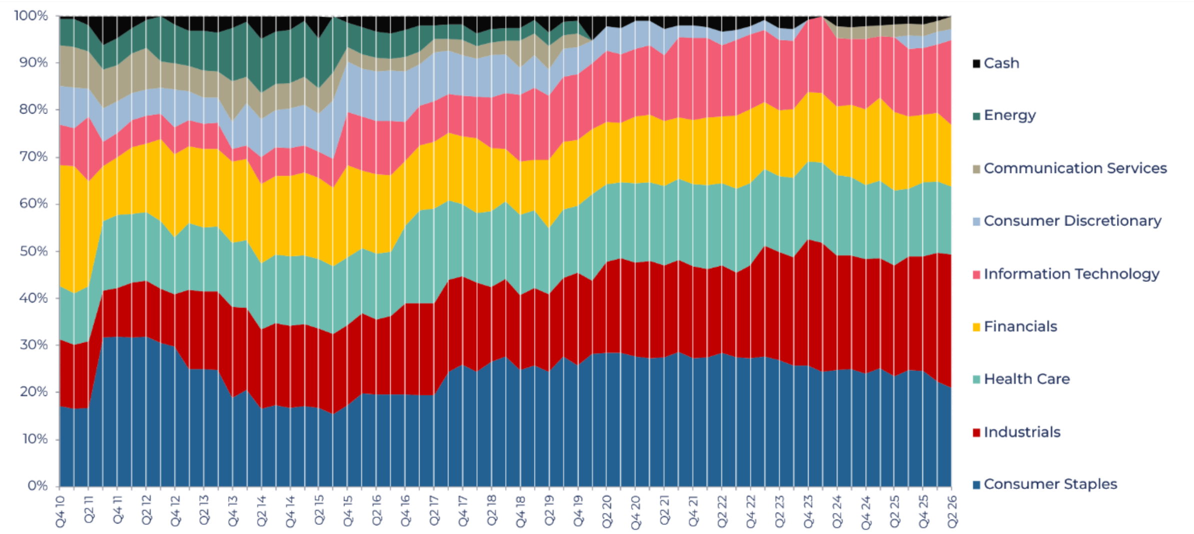
In terms of geographic exposure (shown below), the largest difference between the Fund and the benchmark is our exposure to the US (as measured by country of domicile). The Fund at quarter end had about 57% weighting to North America, which compares to the index at about 76%. The largest geographic overweight remains Europe ex-UK and the UK, though we are diversified around the world with 57% in the US, 35% in Europe and 7% in Asia Pacific. Within Asia Pacific we have one company listed in Taiwan (Taiwan Semiconductor Manufacturing) and one company listed in Hong Kong (Anta Sports).

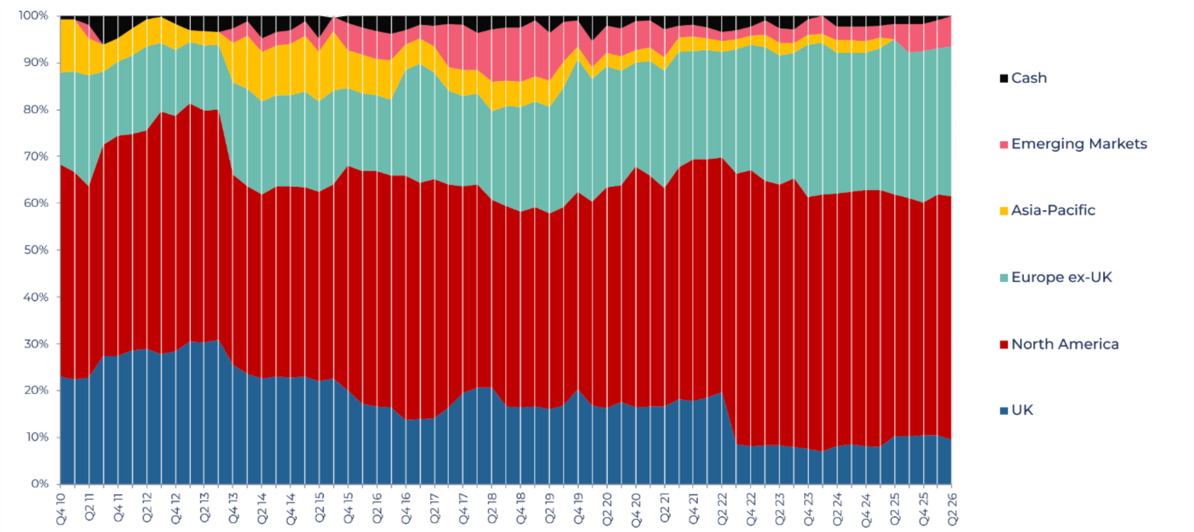




Regional breakdown of the Fund versus MSCI World Index.
Source: Guinness Atkinson, Bloomberg. Data as of 30th June 2026

The two charts below show how the exposure of the Fund has evolved since we launched the strategy in 2010.





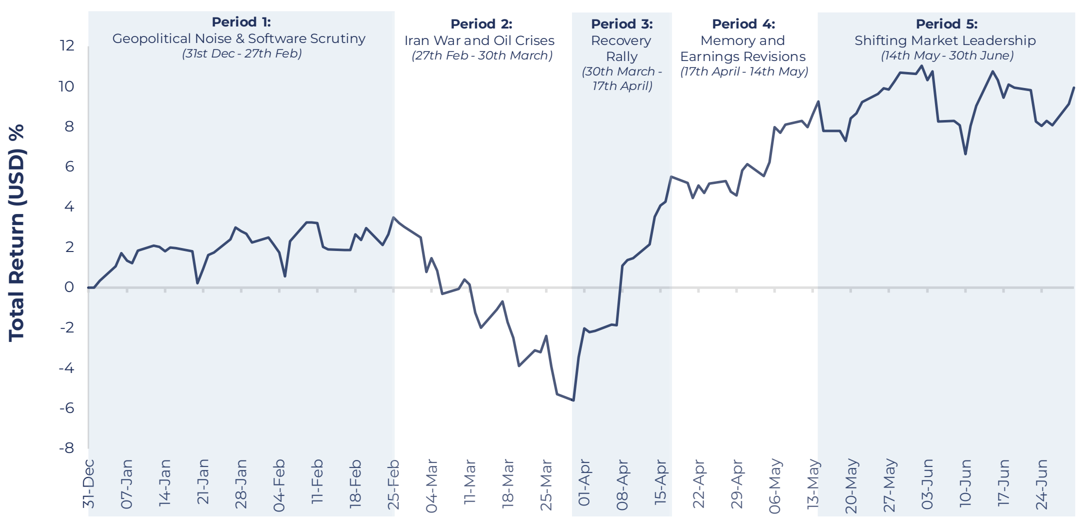
Source: Bloomberg, Guinness Atkinson. Data as of June 30th 2026

Mid-year Review

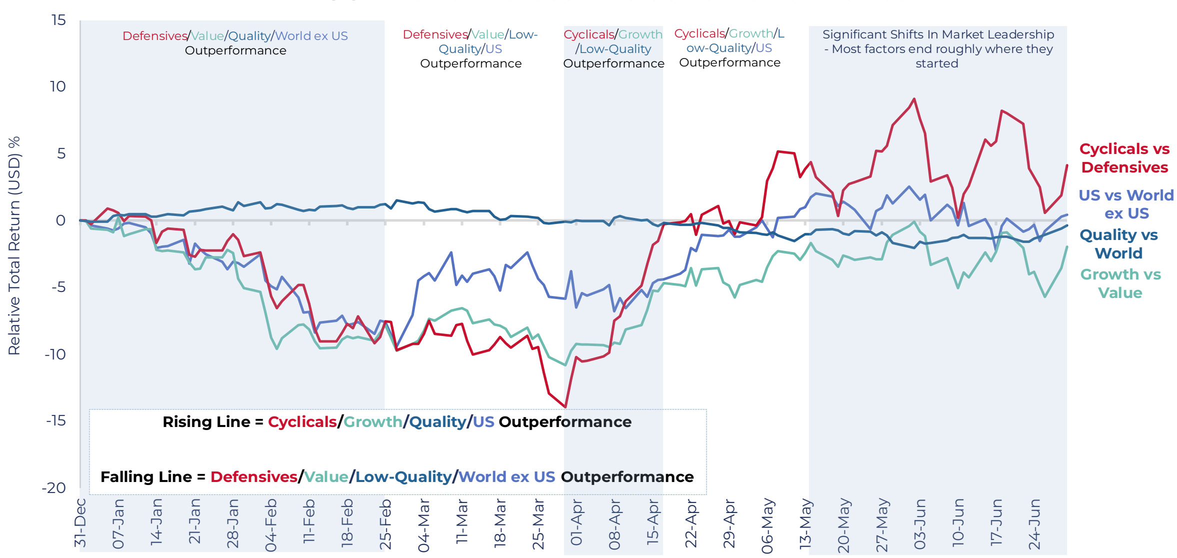
Over the first half of the year, we identified five distinct periods which help us to frame performance across markets. Rather than simply defining these by broad bull and bear market moves, we instead characterize each period by the shifts in leadership between underlying market factors - such as value versus growth, and defensives versus cyclicals - that occurred beneath the surface.

MSCI World Index - Total Return

31st Dec 2025 - 30th June 2026



MSCI World Indices - Relative Performance



Source: Bloomberg, Guinness Atkinson. Data as of June 30th 2026

Period 1: Geopolitical Noise & Software Scrutiny (Dec 31st – Feb 27th)

Markets navigated heavy geopolitical noise in January and February - from regime uncertainty in Venezuela following the US capture of Maduro, to Trump's Greenland ambitions straining NATO, mutual tariff threats across Europe and Canada, and spiking Japanese yields on fiscal stimulus concerns. Despite this, the MSCI World Index climbed to all-time highs, led by international (ex-US) stocks, while the US underperformed as investors rotated out of mega-caps and AI-exposed software. Global software fell 21% over the two months amid a structural reassessment of software economics under AI (DIY build risk and disintermediation, alongside the erosion of seat-based pricing). Markets instead looked to 'HALO' stocks (Heavy Assets, Low Obsolescence), prioritizing companies perceived to possess a level of natural immunity to AI-driven technological disruption. Whilst equities reached all-time highs, this was anything but a broad-based rally. Instead, the period was defined by a sharp and deliberate rotation away from US growth, mega-caps and software and into more defensive areas of the market alongside value and international equities – and more AI-immune HALO stocks in particular.

Period 2 - The Iran War & Oil Crisis (Feb 27th – March 30th)

Sentiment shifted abruptly at the end of February when US and Israeli strikes on Iran escalated into a regional war, with Iranian retaliation hitting Saudi Arabia, the UAE, and Qatar. An effective closure of the Strait of Hormuz - roughly a fifth of global oil and liquified natural gas (LNG) flows - sent energy and freight markets into turmoil: Brent crude jumped from $72 to $118 a barrel, the WCI freight benchmark rose 20% quarter-on-quarter, and European gas prices climbed nearly 50% after Qatar's LNG halt. The energy shock revived stagflation fears, undermining confidence that inflation was contained just as weak US jobs data and falling business and consumer confidence pressured growth expectations. Rate-cut expectations reversed sharply, with the market pricing two US 25bp cuts at the beginning of the year to near zero by the end of the period, while Europe swung from about 50% chance of one cut to pricing three hikes. With yields rising and gold failing as a safe haven, BofA's fund manager survey showed the fastest rush into cash since COVID. Defensives and value outperformed, while energy-importing markets, especially in Asia, sold off hardest.

Period 3 – Market Recovery Rally (March 30– April 17th)

Markets recovered strongly from late March into mid-April as the absence of further escalation stabilized risk appetite, even though the Middle East conflict remained unresolved. Oil eased from March highs, yields stopped rising, and investors unwound defensive positioning. This was more of a relief rally than genuine macro improvement, with growth and cyclicals rebounding while defensives gave back relative gains. Information Technology and Communication Services led, buoyed by renewed interest in AI infrastructure, semiconductors and select internet/platform names. Software also recovered, though confidence stayed selective given ongoing concerns over AI disruption, pricing models, and legacy platform durability.

Period 4 – Memory, Lower-Quality Software and Earnings Revisions (April 17th – May 14th)

The market rally initially reflected a broad recovery in risk appetite post-March, but by mid-April the next phase concentrated in areas seeing most aggressive earnings upgrades, particularly the semiconductor value-chain linked to AI infrastructure. Semiconductor industry revenues grew +79% y/y in Q1 2026, led by memory, where DRAM (dynamic random access memory) and NAND (not AND gate) sales surged +271% on soaring prices, as AI hardware demand continued outstripping supply. The AI supply shortage narrative broadened beyond memory and GPUs to encompass leading-edge wafer capacity, optical components, and power and cooling infrastructure, with markets rotating towards well-positioned AI infrastructure buildout names. Software saw a partial recovery off the back of numerous strong Q1 reports that challenged the AI disintermediation narrative, but performance was heavily bifurcated: gains were largely confined to cash-generative platform software, non-seat-based consumption models, and models with deep data repositories – those deemed to be least susceptible to AI disintermediation. Beyond these names, the broader software landscape remained a laggard - companies that missed guidance/expectations or failed to reassure markets over near-term AI risks suffered further double-digit sell-offs.

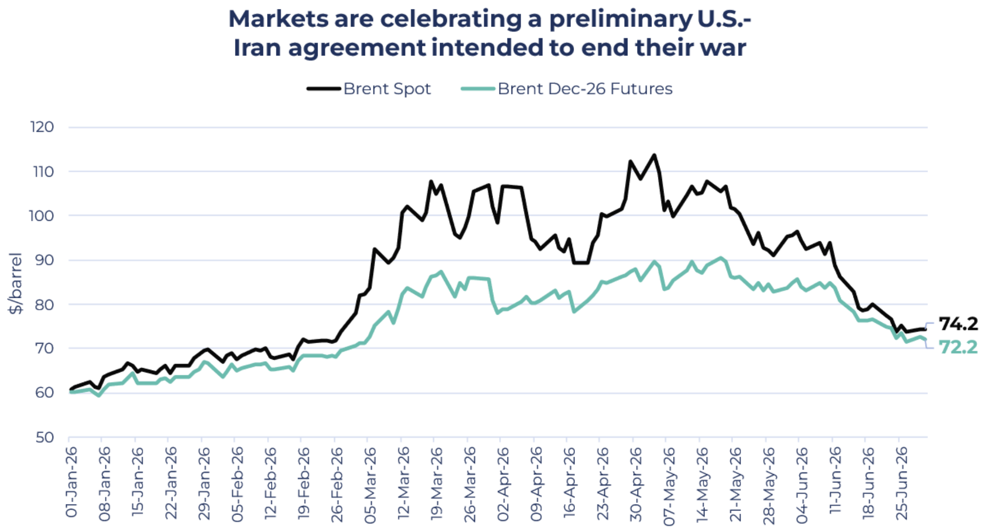
Period 5 – Volatile Markets with Fast Shifting Leadership (May 14th – June 30th)

Macro conditions shifted dramatically in late May. US-Iran tensions unwound somewhat, reducing the conflict's risk premium, with a ceasefire/MOU (Memorandum of Understanding) allowing for a partial reopening of the Strait of Hormuz. Brent crude prices were driven down to about $70 per barrel, near pre-war levels. However, market relief was capped by persistent inflation, which reached a three-year high in May. This backdrop supported a perceivably more hawkish tone from new Fed Chair Kevin Warsh, whose comments focused strictly on price stability, prompting markets to price in earlier rate hikes, with more than one hike priced in by 2026-year end. The Magnificent Seven materially underperformed the rest of the market, partly as investor skepticism grew over near-term AI capex monetization. Instead, markets rotated towards the chipmakers and semiconductor equipment manufacturers who would benefit from their large capex plans – regardless the level of AI monetization. Investors also rotated into areas perceived as more insulated from AI disruption, with Financials, Industrials and Healthcare among the strongest contributors to performance over the period. This broadening of the market allowed the MSCI World Equally Weighted Index to outperform its market weighted counterpart since mid-May. Overall, while the market remains near all-time highs, this period was marked by multiple shifts in leadership, as investors balanced secular AI growth enthusiasm and macro caution - rotating between defensives vs cyclicals, and value vs growth – although greater emphasis on quality has returned.

Key Market Themes Over Q2

The war premium unwinds

Brent crude, having dominated headlines since the outbreak of the Israel-Iran conflict, fell sharply over June, moving from around $96 a barrel at the start of the month to the mid-$70s by month end, a decline of over 20%. The move reflects the unwinding of the geopolitical risk premium built into prices during the conflict earlier in the year. Progress toward de-escalation through the month, culminating in the signing of an interim US-Iran agreement on 17 June to reopen the Strait of Hormuz and extend the ceasefire, removed much of the fear premium that had pushed Brent above $100 earlier in 2026. The signing of an interim agreement was also felt in oil futures markets, with Brent Dec-26 Futures trading at the end of June almost at par with spot prices, as depicted in the graph below, something not seen since before the war started. Despite the clear deescalation, the deal is preliminary and key issues, notably Iran's nuclear program, remain unresolved and the broader oil market's return to balance is not yet a certainty. *Note: As at the time of writing, the US and Iran traded military strikes after the Islamic republic had seemingly attacked ships in the Strait of Hormuz.*

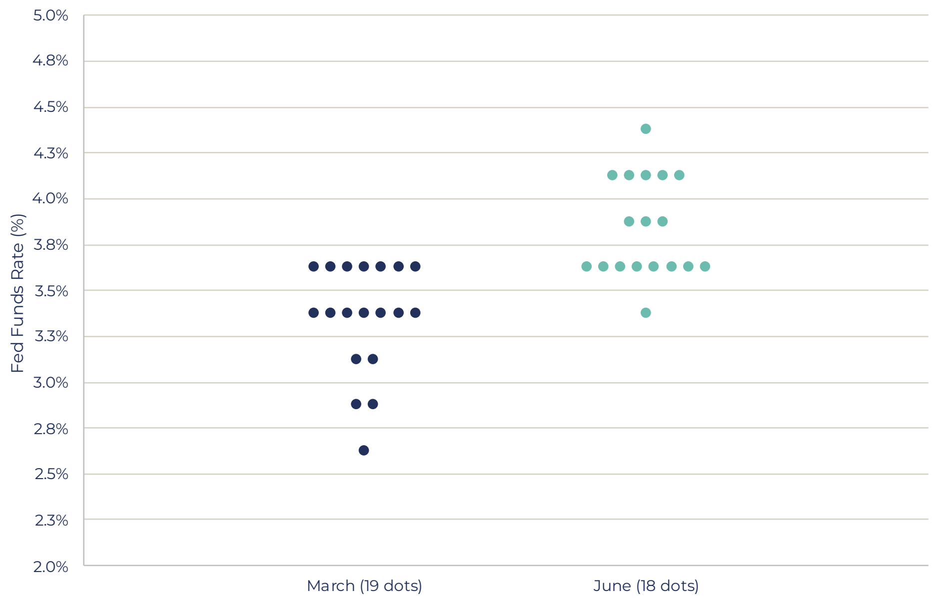


Source: Bloomberg, Guinness Atkinson, as of June 30th 2026

Warsh and the Fed Reserve

The inflationary uncertainty stemming from the war in Iran is being exacerbated by newfound confusion about how the Federal Reserve (Fed) is now thinking about such economic shocks. Earlier this year, President Trump nominated a new Chair, Kevin Warsh, to the Federal Open Market Committee (FOMC) that sets interest rates and releases statements on the macroeconomic outlook. Warsh has previously been vocal in criticizing the communication methods of the FOMC and made clear he would enact change once in the role. In June, all forward guidance was removed from their policy statements, and Warsh refused to submit any forecasts of his own for the Summary of Economic Projections (SEP). This meant that the 'dot plot' – the chart showing FOMC members' estimates for where the federal funds rate will be in the future – had one less datapoint than last quarter.

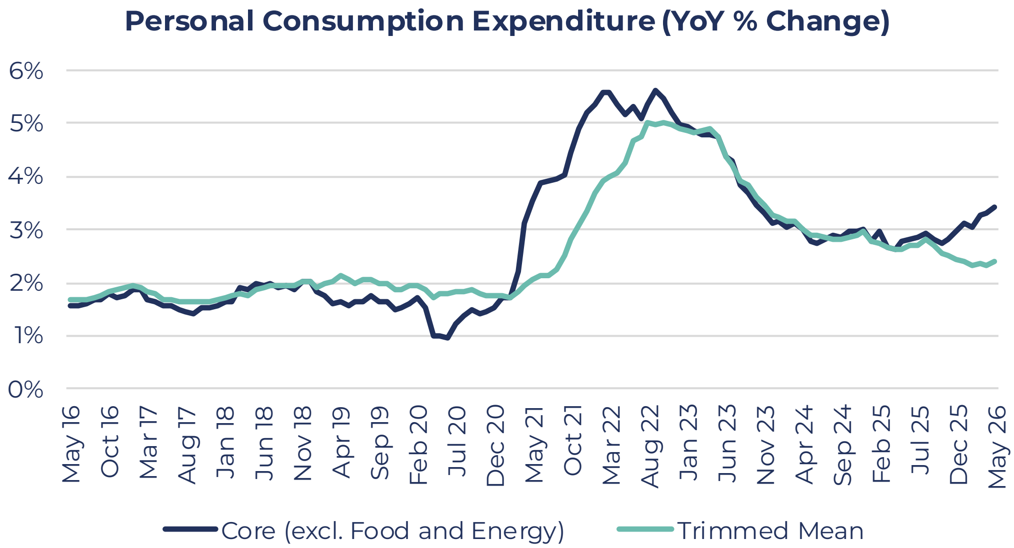
FOMC: YE26 Fed Funds Rate Projections



Source: Guinness Atkinson, Bloomberg, as of June 30th 2026

The chart also shows a hawkish shift from the committee, with the median expectation for the federal funds rate by year end increasing from 3.375% at the March meeting to 3.750% in June. This, paired with Warsh saying repeatedly at the press conference that inflation was still too high, caused the markets to change their expectation for one rate rise in the next twelve months to two hikes.

However, Warsh was appointed by Trump, who has clearly stated his preference for lower rates. An alternative way to justify delaying hikes would be to use a different measure of inflation; Warsh has already expressed a preference for using trimmed mean inflation. This personal consumption expenditures (PCE) measure omits outlying components before taking an average of what remains. Conveniently for those who are more dovish, trimmed mean PCE has been falling recently while the core version (excluding food and energy) continues to rise. This is because the trim is asymmetric – it removes components where the price change is below the 24th percentile and above the 69th in the distribution. As of late, higher percentiles have seen prices increases above or equal to lower ones, so taking more off the top has biased the measure downwards.



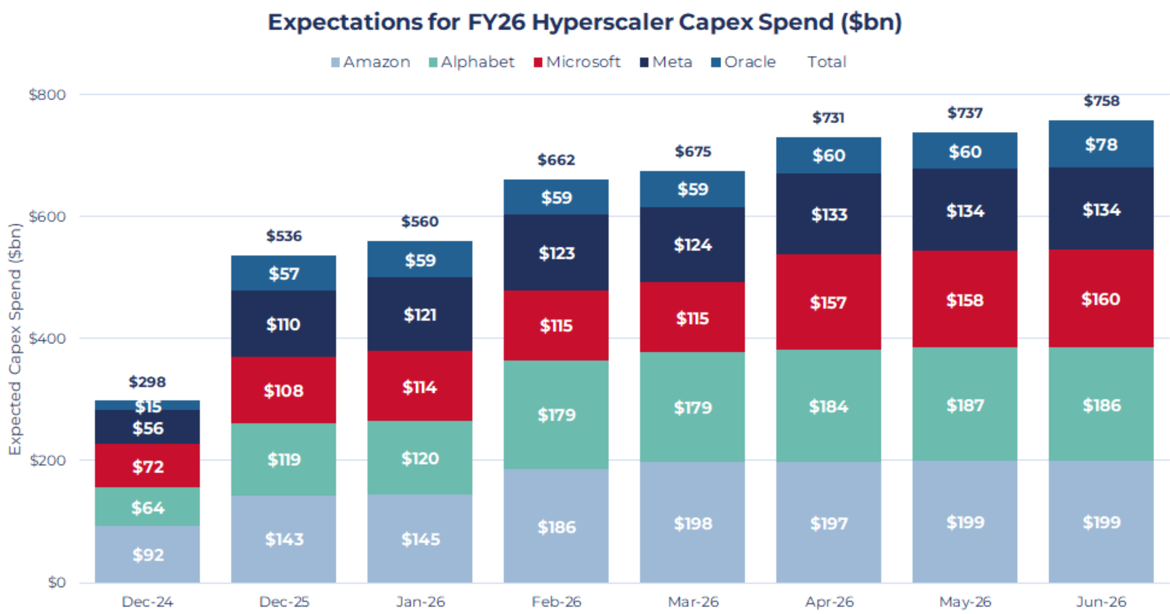
Source: Guinness Atkinson, Federal Reserve Bank of St. Louis, as of June 30th 2026

All of this contributes to growing uncertainty regarding the future path of interest rates. With or without forward guidance, markets will interpret new information in the context of how they believe the Fed will respond. Reducing communications risks making investors jumpier and affecting central bank credibility given the time lags present when implementing monetary policy. The potential for policy surprises is higher than it was before, which could cause borrowing costs to rise, regardless of what the Fed decides to do with interest rates.

That said, the lack of forward guidance could help remove the 'Fed put', which is based on the market's belief the Fed will always step in to protect financial markets from major losses by either cutting rates or injecting liquidity. This presumption can artificially depress volatility, distort the cost of capital and create moral hazard. Removing this may give the Fed more flexibility to change course when presented with new information. Plus, trimmed means are less prone to revisions, which could reduce the noise the FOMC needs to cut through when making data-based decisions in the future. This has implications for individual companies who are making spending decisions predicated on their expected cost of capital.

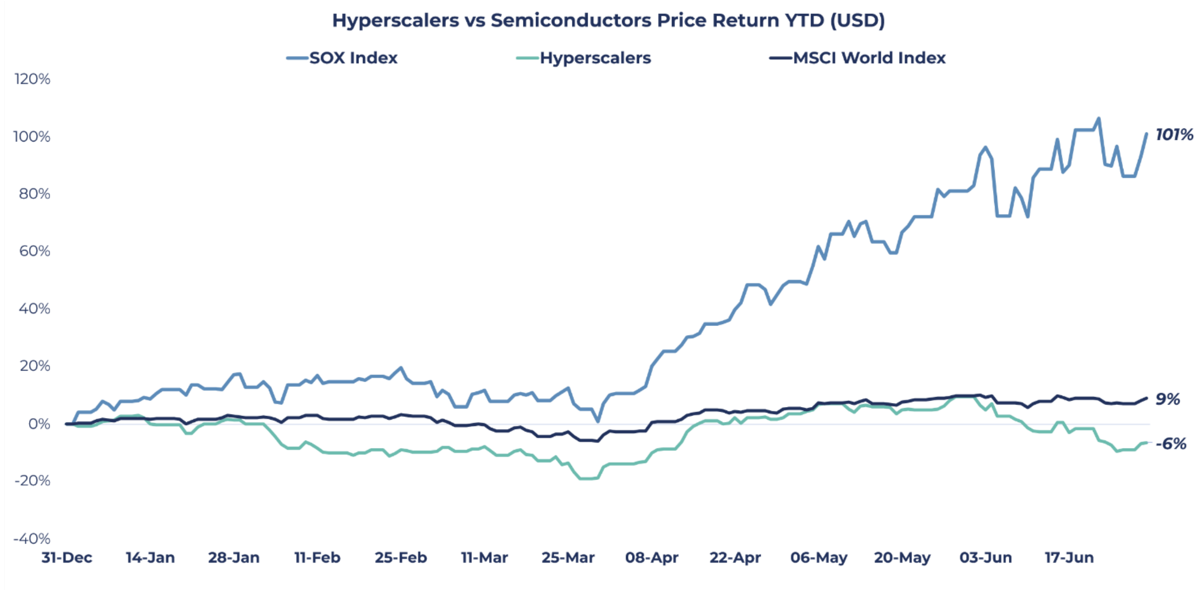
Hyperscaler Capital Expenditures (Capex)

The current capex cycle is clearly intertwined with a sharp increase in semiconductor demand and we believe continued Hyperscaler spending is a key indicator that the AI infrastructure build-out is still underway. This spending is effectively funding the next phase of the data center build-out. As Hyperscalers scale both training and, increasingly, inference workloads, their willingness to keep lifting capex expectations supports the view that this semiconductor cycle could prove longer lasting and more structurally driven than prior upcycles. In each earnings cycle, the major Hyperscalers have generally revised capex guidance higher and the direction of travel is striking. Expected FY26 Hyperscaler capex has risen from around $298bn in December 2024 to $758bn by the end of the second quarter this year, more than doubling as Amazon, Alphabet, Microsoft, Meta and Oracle continue to commit capital to AI compute capacity.



Source: Bloomberg, Guinness Atkinson

Investor sentiment has increasingly diverged between the two sides of the AI infrastructure trade. While semiconductor stocks have continued to benefit from enthusiasm around the AI build-out, hyperscalers have come under pressure despite being central to the same theme. The key concern is that the scale of this ongoing Hyperscaler capex is a cause for concern given the lack of visibility on its return on investment (ROI). Year-to-date, Hyperscalers have significantly underperformed semiconductor stocks, as the market has been far more willing to reward the suppliers of AI infrastructure than the companies funding it. The chart below shows the SOX Semiconductor Index up around 101% year-to-date, dramatically outperforming both the MSCI World Index, up roughly 9%, and the Hyperscalers (defined by a basket of the largest US-listed cloud infrastructure providers), down 6%. This divergence highlights a clear split within the technology sector: investors continue to reward chipmakers enabling AI buildout, while Hyperscalers have lagged as concerns grow around the scale, duration, and returns of their AI capital spending.

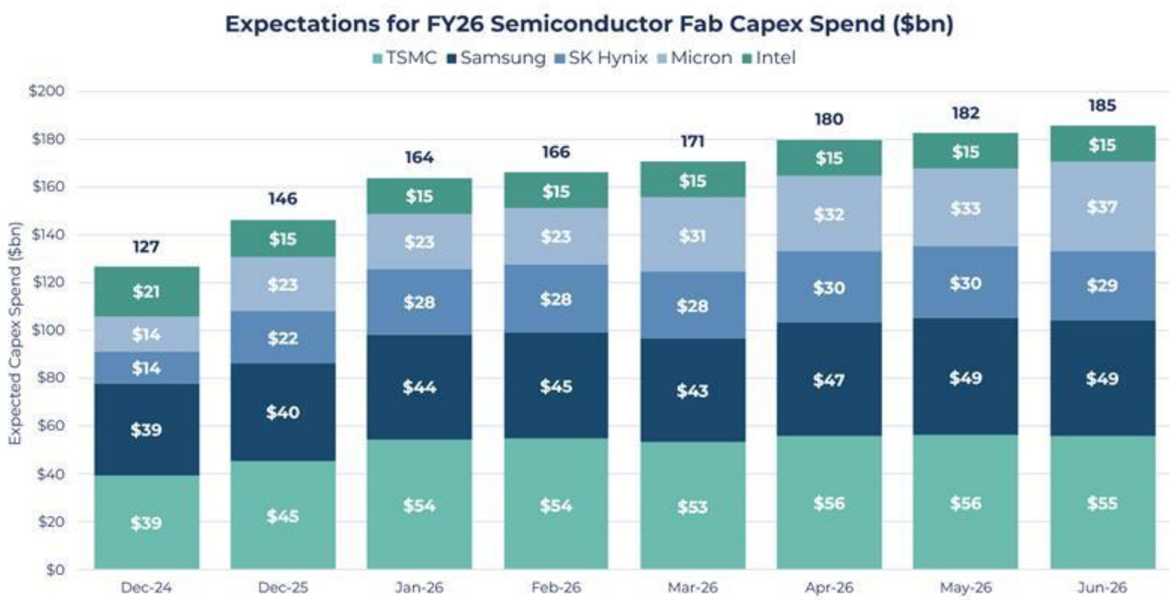


Source: Bloomberg, Guinness Atkinson, UBS 'Hyperscaler' Basket

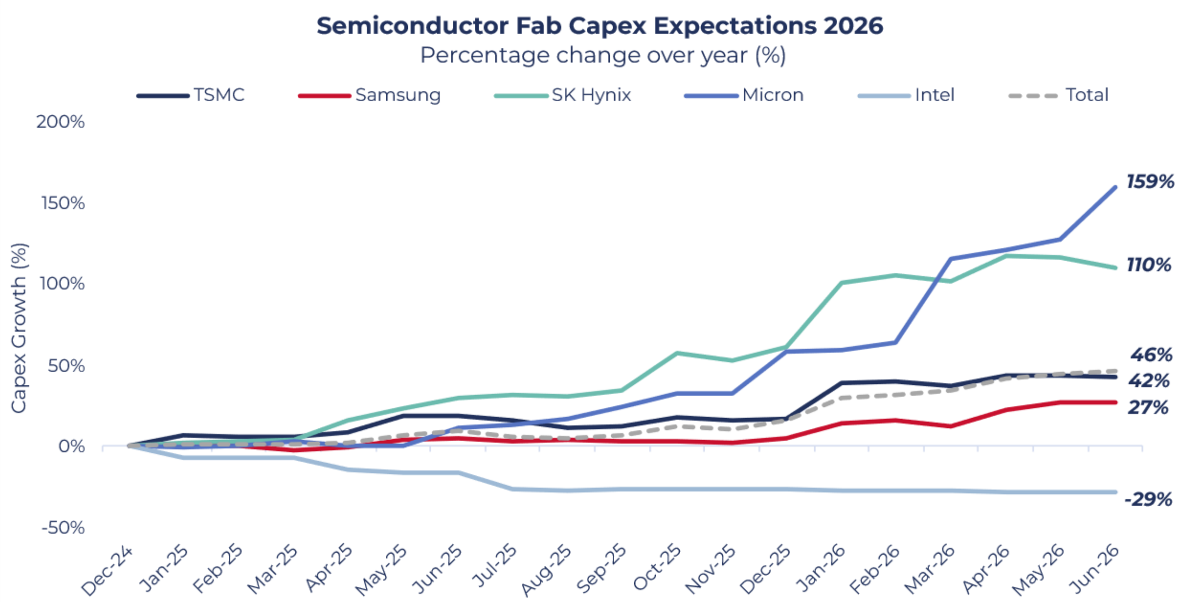
Foundry Capex

While Hyperscaler Capex is clearly a key focus area for markets, foundry and memory capex are becoming increasingly important in a semiconductor rally that is being driven by both supply constraints and huge AI-led demand, given the critical role of semiconductors in AI applications. The memory cycle remains highly cyclical and commoditized: when capacity is tight, pricing rises quickly; when new supply arrives too fast or demand weakens, pricing can fall just as quickly. This cycle is therefore being supported by AI-driven demand for high bandwidth memory (HBM), DRAM and NAND, but also by the fact that supply cannot be added immediately. Memory player Micron has explicitly pointed to cleanroom constraints, long construction lead times and limited DRAM/NAND supply, all constraining server demand.

There are now clear signals that both foundries and memory fabs are preparing to increase spending to address these bottlenecks. As shown in the first chart, expectations for FY26 fab capex have risen from $146bn in December last year to $185bn by June 2026, while the second chart shows that expected capex growth has also broadened, with total spending across the key fabs rising to 46% by October 26. The strongest upward revisions are in memory: Micron is now expected to grow capex by 159% and SK Hynix by 110%, compared to expectations before the cycle began in 2025. TSMC also stands out on the logic side, with expected capex growth rising to 42%, reflecting stronger demand for advanced foundry and packaging capacity. This fits the company-level signals: TSMC, historically more conservative on capacity, is now guiding FY26 capex toward the high end of its range, while Micron, SK Hynix and Samsung are planning large multi-year investments to ease tight AI memory supply. However, supply constraints may remain in place for some time, even as companies commit to higher spending, as new fab and memory capacity takes years to build and ramp.



Source: Bloomberg, Guinness Atkinson



Source: Bloomberg, Guinness Atkinson

What do capital markets tell us?

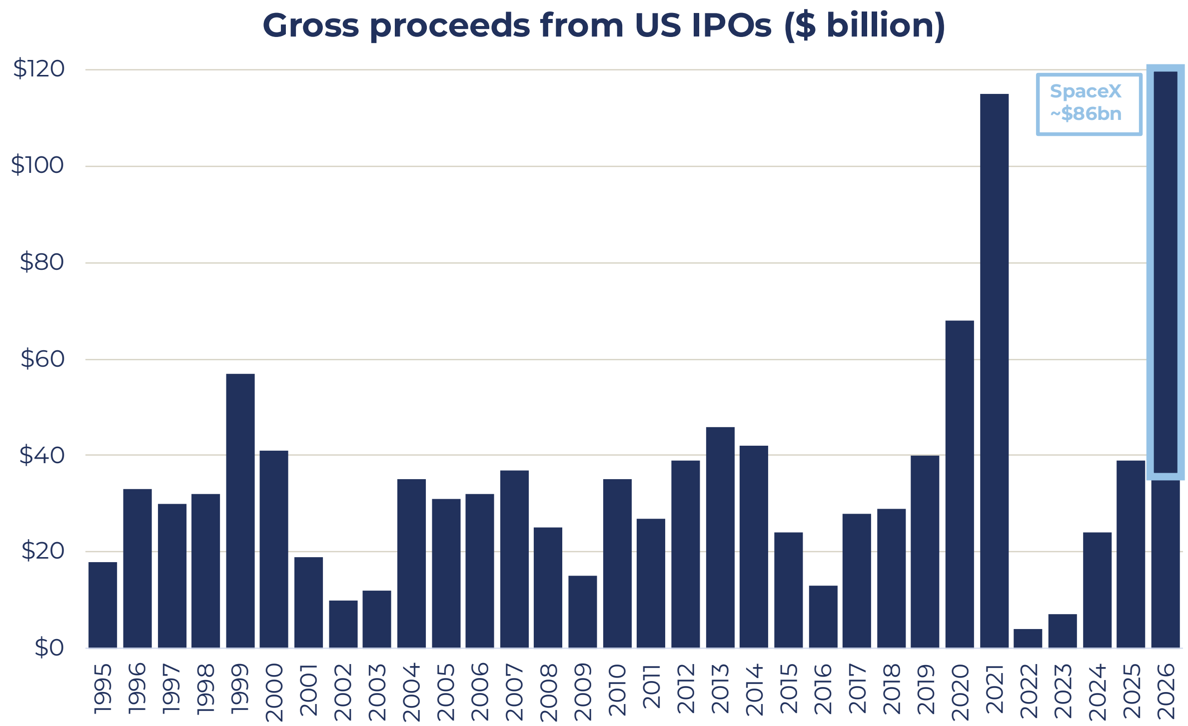
Although every market cycle is different, elevated capital raises are usually a common denominator of late cycle stages. Companies raise funds to invest in growth and pursue attractive returns, and management has a clear incentive to do so when valuations are elevated, since equity and debt are effectively cheaper to issue. Companies know this, which is why a broad pickup in capital raises across a market is often read as a sign that valuations have become stretched relative to underlying fundamentals. Furthermore, executives sometimes overestimate the scale of future demand, leading to a mismatch between supply and demand when supply eventually comes online later in the cycle.

Recent months have offered a live illustration of this dynamic in the AI space. SpaceX completed the largest IPO on record in June, raising roughly $86 billion at a valuation of $1.77 trillion. Anthropic and OpenAI have each since filed confidentially with the SEC for listings later this year, at valuations of roughly $965 billion and up to $1 trillion respectively.

Recently, Alphabet also took advantage of the strong investor sentiment in the AI space. In June, the company priced close to $85bn in equity, including a private placement with Berkshire Hathaway, weeks after having already raised nearly $32bn in bonds in February, both to help fund its AI infrastructure build-out. Alphabet generated $174bn of operating cash flow over the past year and had not raised meaningful equity since 2006. That it tapped both equity and debt markets within weeks speaks to the scale of the AI infrastructure build-out.

A spike in capital raised is not, on its own, a reason to call a market top, but it is a useful compass as we navigate the AI capital cycle. The signal needs to be weighed against other factors, above all, the scale of future demand, especially where an emerging technology offers the prospect of attractive returns on capital. Additionally, some of the hyperscalers, such as Meta and Alphabet, have been able to improve their legacy businesses via AI investments, effectively consuming part of the supply they have brought online.

Even though we are only halfway through 2026, gross proceeds from US IPOs are already at $120bn (with SpaceX accounting for ~$86bn), above the record 2021 year. However, a key difference between 2026 and previous market peaks lies in the number of deals rather than their size. The market has averaged roughly 100 IPOs a year over the past 25 years, and 2026 is tracking close to that pace, compared with more than 250 in 2021 and nearly 400 in 1999.



Source: FactSet, Goldman Sachs Research, Guinness Atkinson

US IPOs greater than $25m in value. As of June 23 2026.

On the debt side, a similar pattern has emerged. Companies like Meta, Alphabet, and Oracle, none of which had issued much debt in recent years, have all turned to bond markets to help fund AI capital expenditure. Meta priced a $30 billion bond deal in October, its largest in years, while Oracle has been the most aggressive borrower of the group, raising $43 billion in debt over the past year with more planned. Altogether, the five major hyperscalers issued roughly $121 billion in bonds in 2025, more than four times their average in prior years, with 2026 issuance expected to run even higher as AI spending across the group approaches $760 billion at the end of June.

GUINNESS ATKINSON FUNDS

Outlook

The four key tenets to our approach are quality, value, dividend, and conviction. We follow metrics at the portfolio level to make sure we are adhering to them. At quarter end, we are pleased to report that the portfolio continues to deliver on all four, relative to the MSCI World Index.

		Fund	MSCI World Index
Quality	Median return on capital	22.4%	9.6%
	Median net debt / equity	48.8%	39.4%
Value	Price-Earnings ratio (2026e)	20.1	20.4
	Free cash flow yield (LTM)	4.4%	3.1%
Dividend	Dividend Yield (LTM)	2.1% (net)	1.5% (gross)
	Weighted average payout ratio	50%	41%
Conviction	Number of stocks	35	1283
	Active share	90%	-

30 day SEC Yield with waiver 1.65%; without waiver or expense reimbursement 1.61%
Portfolio metrics versus index. As of June 30th 2026.
Must be preceded or accompanied by the prospectus . Source: Guinness Atkinson, Bloomberg

Our high-conviction Fund has companies which are on average far better quality, have a higher dividend yield, and are trading at a small discount to the index on a forward PE basis and a large discount on a free cash flow (FCF) yield basis.

The Fund continues to offer a portfolio of consistently highly profitable companies with robust balance sheets and strong returns on capital. The current macroeconomic environment is marked by significant uncertainty, driven by shifting trade policies, tariff escalations, geopolitical risks, concerns over economic growth, and the potential resurgence of inflationary shocks. With these risks on the horizon, we are confident that the companies in the portfolio are well placed to deal with whatever challenges lay ahead, and the defensive nature of the portfolio gives us confidence heading into whatever market conditions lie ahead. As in the past, our unchanging approach of focusing on quality compounders and dividend growers should continue to stand us in good stead in our search for rising income streams and long-term capital growth.

As ever, we will continue to monitor the progress of these factors over the rest of the year.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA   Dr Ian Mortimer, CFA

Important Information

Basis Points (bps) are a unit of measurement used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,583 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI World Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

Consumer Price Index is a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Expressed as a percentage, **return on investment (ROI)** is a financial ratio that measures the profit generated by an investment relative to its cost

PHLX Semiconductor Index (SOX) consists of companies focused on semiconductor products such as microchips, computers, and networking equipment.

MSCI World Equal Weighted Index represents an alternative weighting scheme to its market cap weighted parent index, the MSCI World Index. The index includes the same constituents as its parent (large and mid cap securities from 23 Developed Markets countries). However, at each quarterly rebalance date, all index constituents are weighted equally, effectively removing the influence of each constituent's current price (high or low).

Indexes are unmanaged. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Free cash flow (FCF) represents the cash a company generates after covering operating expenses and capital expenditures.

Market capitalization shows a company's value based on the total price of its outstanding shares.

Price to Earnings Ratio is a stock valuation metric that compares a company's share price to its earnings per share.

Capex (Capital Expenditure) refers to funds a company spends on acquiring, upgrading, and maintaining long-term physical assets such as property, buildings, technology, or equipment aiming to increase operational capacity or future value.

Earnings Per Share (EPS) is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

The **Magnificent 7** stocks are a group of large-cap companies in the technology sector, including Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

Dividend yield is a financial ratio showing the return an investor would earn from an investment based solely on its dividend payments.

The **price return** is the rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, while the income generated by the assets in the portfolio, in the form of interest and dividends, is ignored.

A **rate of return** (RoR) measures the financial gains or losses an investment generates relative to its initial cost

A **beta** coefficient shows the volatility of an individual stock compared to the systematic risk of the entire market. The market used as a benchmark should be related to the stock for beta to provide useful insight.

Hyperscalers are large-scale data centers that provide a wide range of cloud computing and data solutions for businesses that need vast digital infrastructure, processing, and storage. The hyperscalers dominating the cloud market are Amazon Web Services (AWS), Microsoft Azure, and Google Cloud, alongside other tech giants like Meta and Oracle.

Net Debt to Equity, is a measure of a company's financial leverage. It is calculated by dividing its net liabilities by stockholders' equity.

Return of capital (ROC) is a payment, or return, received from an investment that is not considered a taxable event and is not taxed as income.

Free cash flow yield is a solvency ratio that measures free cash flow per share against the market value per share. A high free cash flow yield indicates a company can easily meet its debt obligations and provide returns to shareholders.

Must be preceded or accompanied by the prospectus

The Fund invests in securities that pay dividends, and there is no guarantee that the securities held by the Fund will declare or pay dividends in the future, or that dividends will remain at current levels or increase.

Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries.

Investing in securities involves risk and there is no guarantee of principal.

Shares of the Fund are distributed by Foreside Fund Services, LLC.